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and Senior Counsel  
Legal Services Division

December 27, 2010

**Via E-Mail**

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
20<sup>th</sup> Street and Constitution Avenue, NW  
Washington, DC 20551

**Re: Docket No. R-1393; RIN No. 7100-AD55**  
Proposed Revisions to Certain Provisions of Regulation Z that Implement the Credit Card  
Accountability Responsibility and Disclosure Act of 2009

Dear Ms. Johnson:

City National Bank ("Bank") appreciates this opportunity to comment on the above-referenced proposal, which was published in the Federal Register on November 2, 2010. The Bank is a regional national bank whose headquarters is located in Los Angeles, California. As of September 30, 2010, the Bank had total assets in excess of \$21 billion.

This letter addresses only one issue in the Federal Reserve Board's ("Board's") proposal, which is the addition of Section 226.5a(b)(1)(iv)(C) and Section 226.6(b)(2)(i)(D)(3). These subsections address the disclosure of employee preferential rates in the application table disclosure and the account opening table disclosure, respectively.

As proposed, each of these subsections states that if a card issuer discloses in the table a preferential annual percentage rate for which only employees of the creditor or employees of a third party are eligible, the card issuer must briefly disclose directly beneath the table the circumstances under which such preferential rate may be revoked, and the rate that will apply after the preferential rate is revoked. In the Supplementary Information published in the Federal Register, the Board stated that this requirement is designed "to prevent 'information overload' and to focus consumers' attention on the disclosures that they find the most important." 75 Fed. Reg. 67458, 67461 (November 2, 2010).

As proposed, both Section 226.5a(b)(1)(iv)(C) and Section 226.6(b)(2)(i)(D)(3) are limited to situations in which "only employees of the creditor or employees of a third party are

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eligible” for the preferential rate. However, the Board has specifically solicited comment on “whether there are other types of preferential or reduced rates that are not introductory rates as defined in § 226.16(g)(2)(ii) but for which similar treatment under § 226.5a would be appropriate.” *Id.* For the reasons set forth below, the Bank requests that both of these subsections also apply to situations in which a member bank or other bank provides a preferential rate to its insiders permissible under the Board’s Regulation O.

Section 215.4(a)(2) of Regulation O allows a member bank to provide a preferential rate to its insiders (*i.e.*, its executive officers, directors, or principal shareholders, and any related interests of any such persons, as those terms are defined in Regulation O). Specifically, Section 215.4(a)(2) states, in pertinent part, as follows:

“Nothing in this paragraph (a) or ... shall prohibit any extension of credit made pursuant to a benefit or compensation program--

(i) that is widely available to employees of the member bank and, in the case of extensions of credit to an insider of its affiliates, is widely available to employees of the affiliates at which that person is an insider; and

(ii) that does not give preference to any insider of the member bank over other employees of the member bank and, in the case of extensions of credit to an insider of its affiliates, does not give preference to any insider of its affiliates over other employees of the affiliates at which that person is an insider.”

For example, if a member bank offers a preferential annual percentage rate to its employees, the bank may also offer that same preferential annual percentage rate to its insiders so long as the conditions in Regulation O are met.

Member banks and other banks that are subject to Regulation O very commonly offer credit card programs to their insiders on exactly the same terms as employee loans are typically offered. More specifically, a preferential annual percentage rate is made available to the insider so long as his/her relationship with the bank or its affiliate remains in place. If the insider relationship is terminated by either party, the preferential annual percentage rate is lost and the credit card account instead will be subject to the bank’s standard annual percentage rate. Technically, however, these insider situations may not be subject to Section 226.5a(b)(1)(iv)(C) and Section 226.6(b)(2)(i)(D)(3) as they are currently proposed, because many insiders are not “employees” of either the bank or its affiliates. For example, many insiders are directors or principal shareholders of the bank, but are not also employees of the bank.

Because preferential rate programs offered to insiders are substantively identical to preferential rate programs offered to employees, the two types of programs should be treated in the same manner for disclosure purposes. Section 226.5a(b)(1)(iv)(C) and Section

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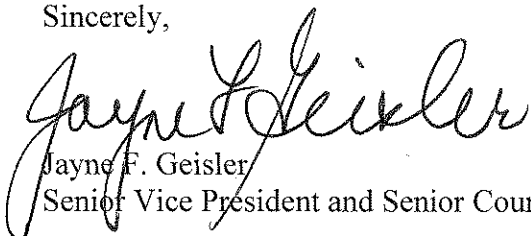
226.6(b)(2)(i)(D)(3) were proposed for employee preferential rate programs because of the Board's legitimate concern that consumers will encounter "information overload" if the required disclosures were to be included directly in the tables. Those same exact concerns should apply in the case of insider preferential rate programs. For this reason, the Bank respectfully recommends that proposed Section 226.5a(b)(1)(iv)(C) and Section 226.6(b)(2)(i)(D)(3) be expanded to include preferential rate programs that are offered to insiders by member banks and other banks as allowed by Regulation O (*i.e.*, both where the credit card account is subject to Section 215.4(a) of Regulation O and where the credit card account is too small to qualify as an "extension of credit" under Section 215.3(b)(5) of Regulation O).

The Bank's proposed approach would have the additional benefit of allowing member banks and other banks to provide the same disclosures for both their employee and insider preferential rate programs, thereby reducing the cost of offering those programs and reducing the risk of inadvertent noncompliance. Moreover, expanding the scope of Section 226.5a(b)(1)(iv)(C) and Section 226.6(b)(2)(i)(D)(3) in this very limited manner would not have any discernable disadvantages for the insiders who receive preferential rate programs.

Should you have any questions regarding the above, please contact me at (213) 673-9512.

Thank you for the opportunity to provide comments on the Board's proposed regulations.

Sincerely,



Jayne F. Geisler  
Senior Vice President and Senior Counsel